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C O N F I D E N T I A L SECTION 01 OF 03 SHANGHAI 000141

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E.O. 12958: DECL: MANUAL REVIEW  
TAGS: [PGOV](#) [PINR](#) [EINV](#) [ECON](#) [CH](#)  
SUBJECT: CONTACTS DISCUSS RECENT SHANGHAI PERSONNEL MOVES

REF: SHANGHAI 106

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CLASSIFIED BY: Simon Schuchat, Deputy Principal Officer, U.S.  
Consulate, Shanghai, Department of State.  
REASON: 1.4 (d)

11. (C) Summary: According to one contact, more than half of Shanghai's vice mayors have been or are rumored to soon be removed and several high-level officials have been reshuffled in a bid to pave the way for an outsider to come to Shanghai in one of the top leadership positions. At least one vice mayor, Yang Xiong, who was probably implicated in the Chen Liangyu scandal, was being protected by party elder Jiang Zemin because of Yang's business connections to Jiang's elder son. A separate contact said that Huang Ju was considering divorcing his politically sensitive wife, suggesting--if true--that Huang's illness may have a political element to it. While many contacts in Shanghai have been reluctant to speculate on where Han will end up once the dust settles, one contact, close to Han's family, claimed that the decision had been made and Han would be the new Party Secretary. End summary.

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Vice Mayors Get the Shaft Gently  
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12. (C) In recent months, Chinese and Hong Kong press reported that five of Shanghai's eight vice mayors had been or were being transferred to new positions, leaving two slots currently unfilled. Executive Vice Mayor Feng Guoqin--who authored an op-ed piece on financial reform in the March 6 Asian Wall Street Journal--seems likely to move. According to a February 27 article in Hong Kong's South China Morning Post, Feng was moving off to head the Shanghai Chinese People's Political Consultative Conference (SCPPCC) replacing Jiang Yiren. However, Shanghai YMCA Secretary General Wu Jianrong told FSN Political Assistant on February 26 that Feng would chair the Shanghai Municipal People's Congress (SMPC) replacing Gong Xueping. No further information was available on what would happen to the incumbents in either position.

13. (SBU) According to a February 27 Xinhua report, Vice Mayor Yan Junqi has already moved on to Beijing as vice chairwoman of the China Association for Promoting Democracy. Sina.com reported that vice mayors Zhou Yupeng and Liu Yungeng had been elected Vice Chairman of the SMPC on February 3. The Shanghai Municipal People's Congress announced in October that former Secretary General Yang Dinghua had been promoted to Vice Mayor,

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presumably filling the position vacated by Yang Xiaodu that same month. Yang Xiaodu had transferred to the Shanghai Party Standing Committee and was concurrently Director of the United Front Work Department, according to an October Xinhua article. The six Shanghai vice mayors currently remaining in their positions are: Feng Guoqin (rumored to be departing); Yang Xiong; Zhou Taitong; Tang Dengjie; Hu Yanzhao; and Yang Dinghua.

14. (C) During a March 2 conversation, Tongji University Professor and CPPCC member Frank Peng said that all of these personnel moves were related to the Chen Liangyu scandal. He explained that even though the removed vice mayors were staying in Shanghai, their transfers to the United Front, CPPCC or the SMPC stripped them of all real authority and were intended to put them in sinecures. All of these vice mayors were involved to some degree in the Chen case. Peng opined that there was probably not enough evidence of their malfeasance to indict them or that Beijing had decided to ameliorate the impact of the case on Shanghai's economic stability (Reftel) and opted to politically neuter them without subjecting the city to another round of arrests.

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Musical Chairs Continues: Send in the Clowns  
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15. (C) In addition to the vice mayors, several other high-level Shanghai posts have been reshuffled. Former Shanghai Development Planning Director Li Liangyuan has backfilled the Secretary General slot vacated by Yang Dinghua. Former Director

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of Civil Affairs Xu Lin has moved laterally to fill the position of Shanghai Agriculture Committee Director vacated by Yuan Yixing. (Note: No information was available on what had happened to Yuan. End note.) A relatively-unknown official named Wang Wei replaced Xu as Director of Civil Affairs.

16. (C) On March 2, Chinese-language news outlets, including SHanghai's Wenhui Bao newspaper, reported that nine Party members involved in the pension scandal had been officially expelled from the CCP and removed from their government positions. The nine included:

- Labor and Social Security Bureau Director Zhu Junyi;

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- Baoshan District Mayor Qin Yu;

- Municipal CCP Deputy Secretary General Sun Luyi;

- Shanghai Electric Group Corporation Party Secretary Wang Chengming and Deputy Party Secretary Han Guozhang;

- Shanghai State-Owned Assets Supervision and Administration Commission Deputy Director Wu Hongmei;

- Shanghai Industrial Investment Group Company General Manager Wang Guoxiong;

- Shanghai Labor and Social Security Bureau Fund Supervision and Management Section Chief Lu Qiwei;

- Municipal Housing, Land, and Natural Resources Bureau Land Usage and Management Section Chief Zhu Wenjin.

These cases had already been sent to the judicial department for prosecution. Not on the list was Shanghai State-Owned Assets Supervision and Administration Commission Director Ling Baoheng, who had been named early on as having been implicated in the scandal. According to an October 25, 2006 Xinhua article, Ling was "assisting" related departments with their investigations.

17. (C) Peng opined that all of these recent personnel moves showed that Shanghai was preparing for an outsider to come to

Shanghai. Peng said it was impossible to accurately speculate on what shape the Shanghai leadership would ultimately take, but he believed Han Zheng would remain on in one of the top positions after the Party Congress. It would be too destabilizing to remove Han and Shanghai needed to have a local boy in at least one of the slots. Peng did not see any of the rising Shanghai officials as potential candidates for either job. Peng also noted that many people, including Jiangsu Party Secretary Li Yuanchao, had been offered the job but that they

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had all turned it down. He noted that the Organization Department did not have the authority to force people at Li's level to take jobs without their consent.

18. (C) In contrast, some "insiders" appeared confident that Han was in line for a promotion. In late February, the neighbor of Han Zheng's mother told a Consulate spouse that things had been "all settled" and Han would be confirmed as Party Secretary. This neighbor had previously acted as on Han Zheng's mother's behalf for a visa to travel to the United States after Han's father died earlier last year.

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Jiang Zemin Still Helps Where he Can  
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19. (C) Peng said that Jiang Zemin was still exerting his influence in trying to actively protect two Shanghai officials involved in the Chen case. The first was Shanghai Police Chief Wu Zhiming. (Note: According to Peng, Wu is Jiang's nephew, but other sources describe him as the nephew of Jiang's wife. End note.) The other official was Vice Mayor Yang Xiong. Yang was tied to Jiang's elder son, China Academy of Sciences Vice President Jiang Mianheng, through Shanghai United Investment (Shanghai Lianhe Touzi). Their company had bankrolled major infrastructure development projects in and around Shanghai, such as the maglev train and the Yangshan port project. It was not clear where Peng obtained this information, but Peng mentioned that his older son worked with Jiang Mianheng at Grace Semiconductors in Shanghai.

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Huang Ju: Still Ill, Divorcing Wife?  
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10. (C) Peng claimed that Huang Ju was sick and bedridden in a military hospital in Shanghai. Peng dismissed rumors that this was a political illness, noting that Huang had already drawn up his will asking that his body be donated to science after his death. Peng pointed out that this was the first time a request of that nature had ever been made by a senior leader. During a subsequent March 5 meeting with the CG, Peng acknowledged that he had seen that Huang had attended the opening ceremony of the National People's Congress in Beijing, but that he looked unwell. According to Peng, Huang was obviously ill, and was wearing makeup. Peng speculated that Huang's attendance was not necessarily because Huang's health had improved, but was designed to maintain a facade of unity in the party.

11. (C) During a March 5 meeting, NGO Roots and Shoots Officer Director Zhong Zhengxi passed along rumors in the NGO community that Huang's wife, who headed the Shanghai Charity Foundation,

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had diverted many of the foundations funds into speculative real estate deals, which were, at least in part, linked to the Chen Liangyu case. She said it was rumored that Huang was seeking a divorce from his wife to protect his political fortunes. (Comment: If such rumors are true, it would certainly bolster the notion that Huang's illness is more political these days and he is seeking an appropriate "cure." This would not be the first time a Politburo member in trouble had sought to protect himself by publicly distancing himself from an errant spouse, as Jia Qinglin did in the wake of the Xiamen smuggling scandal. End comment.)

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Hu-Zeng Relationship  
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¶12. (C) Speaking on more national-level issues, Peng assessed that several elders were supporting Hu, including Zhu Rongji, Li Ruihuan, Qiao Shi, Wan Li, and Song Ping. In contrast, Peng was hard-pressed to come up with a single elder supporting Zeng Qinghong. Zeng's previous patron, Jiang Zemin, considered Zeng a traitor and was not inclined to provide assistance ever since Zeng helped Hu remove Jiang from the Central Military Commission. Zeng's personal network or proteges and friends, however, was significant. Citing recent reports of Zeng pressuring Hu to let him stay on in the Politburo Standing Committee after retirement age, Peng warned that Zeng would find it increasingly hard to balance his relationship with Hu.  
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